

House Study Bill 774

HOUSE FILE _____
BY (PROPOSED COMMITTEE ON
WAYS AND MEANS BILL BY
CHAIRPERSON VAN FOSSEN)

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to the child and dependent care and early
2 childhood development income tax credits by increasing the net
3 income limits for eligibility, eliminating the limit on the
4 amount of credits allowed, and including a retroactive
5 applicability date provision.
6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
7 TLSB 6627YC 81
8 mg/sh/8

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1 1 Section 1. Section 422.12C, subsection 1, paragraph g,
1 2 Code Supplement 2005, is amended to read as follows:
1 3 g. For a taxpayer with a net income of forty-five thousand
1 4 dollars or more, ~~zero but less than fifty thousand dollars,~~
1 5 ~~twenty-five percent.~~

1 6 Sec. 2. Section 422.12C, subsection 1, Code Supplement
1 7 2005, is amended by adding the following new paragraphs:
1 8 NEW PARAGRAPH. h. For a taxpayer with net income of fifty
1 9 thousand dollars or more but less than fifty-five thousand
1 10 dollars, twenty percent.

1 11 NEW PARAGRAPH. i. For a taxpayer with net income of
1 12 fifty-five thousand dollars or more, zero percent.

1 13 Sec. 3. Section 422.12C, subsection 2, paragraph a,
1 14 unnumbered paragraph 1, Code Supplement 2005, is amended to
1 15 read as follows:

1 16 In lieu of the child and dependent care credit authorized
1 17 in subsection 1, a taxpayer may claim an early childhood
1 18 development tax credit equal to twenty-five percent of the
1 19 first one thousand dollars which the taxpayer has paid to
1 20 others for each dependent, as defined in the Internal Revenue
1 21 Code, ages three through five for early childhood development
1 22 expenses. ~~In determining the amount of early childhood~~

~~development expenses, such expenses paid during November and~~
~~December of the previous tax year shall be considered paid in~~
~~the tax year for which the tax credit is claimed. This credit~~

1 26 is available to a taxpayer whose net income is less than
1 27 ~~forty-five~~ fifty-five thousand dollars. If the early
1 28 childhood development tax credit is claimed for a tax year,
1 29 the taxpayer and the taxpayer's spouse shall not claim the
1 30 child and dependent care credit under subsection 1. As used
1 31 in this subsection, "early childhood development expenses"
1 32 means services provided to the dependent by a preschool, as
1 33 defined in section 237A.1, materials, and other activities as
1 34 follows:

1 35 Sec. 4. Section 422.12C, subsection 2, paragraph b, Code
2 1 Supplement 2005, is amended by striking the paragraph.

2 2 Sec. 5. RETROACTIVE APPLICABILITY DATE. This Act applies
2 3 retroactively to January 1, 2006, for tax years beginning on
2 4 or after that date.

EXPLANATION

2 6 This bill makes the child and dependent care tax credit and
2 7 the early childhood development tax credit available to
2 8 taxpayers with net incomes of less than \$55,000. Present law
2 9 limits such tax credits to those taxpayers with net incomes of
2 10 less than \$45,000. The amount of the child and dependent care
2 11 tax credit is a percentage of the federal tax credit. The
2 12 bill provides that the credit equals 25 percent for taxpayers
2 13 with net incomes between \$45,000 and \$50,000 and 20 percent
2 14 for taxpayers with net incomes between \$50,000 and \$55,000.
2 15 Present law limits the amount of early childhood

2 16 development tax credits allowed in any tax year to \$2.5
2 17 million. The bill strikes the provision relating to the
2 18 dollar amount limitation and other related provisions.
2 19 The bill applies retroactively to January 1, 2006, for tax
2 20 years beginning on or after that date.
2 21 LSB 6627YC 81
2 22 mg:nh/sh/8